

DISCLAIMER

This electronic version of an SCC order is for informational purposes only and is not an official document of the Commission. An official copy may be obtained from the [Clerk of the Commission, Document Control Center](#).

APPLICATION OF

UNITED CITIES GAS COMPANY
(a Division of Atmos Energy)

CASE NO. PUE000171

For a General Increase in Rates

REPORT OF HOWARD P. ANDERSON, JR., HEARING EXAMINER

April 17, 2001

HISTORY OF THE CASE

On March 24, 2000, United Cities Gas Company (a Division of Atmos Energy) (“United Cities” or the “Company”) filed an application requesting authority to increase its rates and charges for natural gas service and to revise its tariff. The original application was incomplete and, following extensive discussions with the State Corporation Commission Staff (“Staff”), the Company filed a revised application on July 11, 2000, and filed an amendment to the revised application on July 13, 2000.

The Company’s proposed rates are designed to increase United Cities’ total annual revenues by \$2,050,592. This proposal represents a 26% increase in the Company’s non-gas margin, and an 8% increase in its total revenues. The Company’s revised application and supporting testimony and exhibits are based on a test year ending September 30, 1999.

On August 9, 2000, the Commission entered an Order for Notice and Hearing which suspended the Company’s proposed rates for a period of 150 days, required notice to the public, and established a procedural schedule and hearing date of February 20, 2001.

The application came to be heard on the scheduled hearing date. Richard D. Gary appeared on behalf of United Cities. Raymond Doggett, Jr. appeared on behalf of the Division of Consumer Counsel, Office of the Attorney General (“Consumer Counsel”). William H. Chambliss and Katharine A. Hart appeared on behalf of Commission Staff. Proof of the requisite notice was received as Exhibit A. A transcript of the hearing is filed with this Report.

At the commencement of the hearing, Staff, Company, and Consumer Counsel advised the Examiner that they were very close to reaching a settlement. The parties requested leave to file a Stipulation at a later date. Leave was granted and Company Exhibit 6 was reserved for the Stipulation. The Stipulation was presented to the Examiner on February 28, 2001. The Stipulation¹ represents an agreement on all issues and is discussed below.

¹ The Stipulation and Exhibits A and B are attached to this Report as Appendix A.

DISCUSSION

Pursuant to agreement of counsel, all prefiled testimony was received into the record without cross-examination. Under the terms of the Stipulation, the Company, Staff, and Consumer Counsel agree on an annual reduction in rates of \$534,000 for the Company's Virginia jurisdictional customers. To the extent that Company rates put into effect on January 1, 2001, exceed the new revenue requirement, the Company agrees to refund the excess revenues with interest in accordance with the Commission's customary requirements. Rates reflecting the new revenue requirement will be billed to the Company's customers beginning with the April 2001, billing cycle and refunds shall be fully credited to customers by the end of July 2001.

The Company, Staff, and Consumer Counsel have agreed to use Staff's proposed return on common equity of 11.00%, within a range of 10.50% to 11.50%, in future Annual Informational Filings ("AIF") or Earnings Test Filings. The Company, Staff, and Consumer Counsel have agreed on a modified rate design as set forth in Exhibit A to the Stipulation. The Company has agreed to comply with Staff witness Sartelle's recommended accounting and ratemaking provisions. These provisions are found in Exhibit B of the Stipulation.

The Company, Staff, and Consumer Counsel further agree that the Company's 1998 AIF, Case No. PUE990171, pending before the Commission shall be closed without further substantive action by the Commission and without any rate impact on the Company. Under the terms of the Stipulation, the Company agreed to file an earnings test in lieu of a full AIF for its 2000 fiscal year. The sole purpose of this filing will be to determine if the current level of regulatory assets is appropriate.

FINDINGS AND RECOMMENDATIONS

Based on the application, the evidence presented in this case, and the Stipulation, I find that the Stipulation and Exhibits attached thereto represent a fair and just resolution of this case and should be accepted. As presented, the Stipulation incorporates non-ratemaking recordkeeping and reporting requirements. Staff and the parties did not resolve any accounting adjustment issues or agree to a fully adjusted cost of service figure.² Given the broad and complex range of issues and the \$2.5 million difference between the initial revenue requirement positions of Company and Staff, I believe the \$534,000 base rate reduction to be a very equitable settlement.

I therefore **RECOMMEND** that the Commission enter an order that:

1. **ADOPTS** the findings in the Report;
2. **DIRECTS** the prompt refund of all amounts collected under the interim rates in excess of the rates found just and reasonable herein; and

² The Commission has accepted several "black box" settlements in recent years (Case Nos. PUE960036, PUE960296, PUE960301, PUE980287).

3. ***DISMISSES*** this case from the Commission's docket of active cases and passes the papers herein to the file for ended causes.

COMMENTS

The parties are advised that any comments (Section 12.1-31 of the Code of Virginia and Commission Rule 5:16(e)) to this Report must be filed with the Clerk of the Commission in writing, in an original and fifteen (15) copies, within fifteen (15) days from the date hereof. The mailing address to which any such filing must be sent is Document Control Center, P.O. Box 2118, Richmond, Virginia 23218. Any party filing such comments shall attach a certificate to the foot of such document certifying that copies have been mailed or delivered to all counsel of record and any such party not represented by counsel.

Respectfully submitted,

Howard P. Anderson, Jr.
Hearing Examiner